

MINUTES

MONTANA HOUSE OF REPRESENTATIVES 57th LEGISLATURE - REGULAR SESSION COMMITTEE ON APPROPRIATIONS

Call to Order: By **CHAIRMAN STEVE VICK**, on March 2, 2001 at 8:00 A.M., in Room 102 Capitol.

ROLL CALL

Members Present:

Rep. Steve Vick, Chairman (R)
Rep. Dave Lewis, Vice Chairman (R)
Rep. Matt McCann, Vice Chairman (D)
Rep. John Brueggeman (R)
Rep. Rosalie (Rosie) Buzzas (D)
Rep. Tim Callahan (D)
Rep. Edith Clark (R)
Rep. Bob Davies (R)
Rep. Stanley Fisher (R)
Rep. Dick Haines (R)
Rep. Joey Jayne (D)
Rep. Dave Kasten (R)
Rep. Christine Kaufmann (D)
Rep. Monica Lindeen (D)
Rep. Jeff Pattison (R)
Rep. Art Peterson (R)
Rep. Joe Tropila (D)
Rep. John Witt (R)

Members Excused: None.

Members Absent: None.

Staff Present: Paula Broadhurst, Committee Secretary
Taryn Purdy, Legislative Branch

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed.

Committee Business Summary:

Hearing(s) & Date(s) Posted: **HB 2**
Executive Action: HB 2

HEARING ON HB 2**Sponsor:** Rep. Steve Vick, HD31, Belgrade**Opening Statement by Sponsor:**

Rep. opened the hearing on HB 2, the General Appropriations Act, stating this is the Bill that funds much of state government, general fund spending, state special revenue and federal revenue. The budget is almost half federal funds. In the summary, as HB 2 is now, general fund spending has increased nearly \$159 million over the last biennium, which is a 7.4% general fund spending increase. This compares to a 5.1% general fund spending increase in 1999 and 4.9% general fund increase in the 1997 Legislative Session. Those do not include, particularly the 1999 Session, what was done in the special session, just what was done in the regular session. This would be the largest, on a percentage basis, budget increase of the last three biennia.

Chairman Vick said there is an \$844 million increase in total spending, which is a 16.8% increase for the biennium, or 8.4% per year. It is often heard the budgets are being cut, but it needs to be clear to everybody that no budgets have been cut. As they go through the Bill and refer to cuts, they need to remember that what they are doing is reducing proposed increases.

The Education is 54.5% of HB 2. We spend 22% of our budget on Human Services programs and 8.6% on Corrections. That is 85% of the budget spent in those three areas and that is what this Bill reflects.

Clayton Schenck, Legislative Fiscal Analyst, Legislative Fiscal Division gave the committee an Overview of HB 2, saying there is a Gray Bill in the front of the study book that reflects subcommittee action. That is the Governor's budget and what this Bill does is strike everything from the original Bill and start anew. When it goes to the House floor it will also start anew because it will incorporate what is done here and the House floor Bill won't have any strike-outs when it comes out of this Committee.

In order to get back and forth between the Bill and the Narrative, there is an index. He then explained the breakdown by Sections and the Agencies within those Sections. Following the Agency Table is a reference to the pages in the LFD (Legislative Fiscal Division) budget analysis in which that Agency is discussed in more detail. Following that is an explanation of the Executive Budget and a comparison and brief summary of what those differences are. There are also explanations of the

changes in the appropriations from the base for each program within each agency, so program by program, there will be the same thing, the Table for specified adjustments and all the descriptions as well as new proposals for each particular program.

Other areas the Committee will deal with are proprietary funds and rates.

Questions from Committee Members and Responses: Reps. McCann, Peterson and Tropila, to Mr. Schenck.

Mr. Schenck reviewed a revenue estimate regarding the general fund as the Committee begins this process. As of the 45th day, the latest general fund status sheet reflected an ending fund balance of about \$75 million. **It also noted at the bottom there are two Bills that haven't been brought into the process; the large supplemental Bill and the state pay plan.** If you assume those and back those out, that reduces the ending fund balance that you are working with now and, pending any other action, of about \$12 million. There is an overstatement in there, due to a fiscal note of about \$4 million.

Regarding the revenue side of the picture, House Taxation began those deliberations yesterday and are intending to finish up today. This committee may not know the bottom line before Monday. The general fund status sheet reflects HJR 2 as it was introduced and that is the way it was adopted by the Revenue Taxation Committee last November.

What the Committee is being offered, in terms of adjustments, is \$18 million in proposed new funding for the general fund. Ultimately, they are minor adjustments and everything "washes" out. Both staffs are recommending the HJR 2 numbers with the exception of the \$18 million in new items. The Department of Revenue estimates that they can collect \$4 million from audits and they are proposing they can collect another \$10.5 million from both income tax and corporate tax audits than what is already in HJR 2. They are also proposing they can collect almost \$3.5 million from audit collections from the new tax on telecommunications and that would amount to \$14 million in terms of audits.

{Tape : 1; Side : A; Approx. Time Counter : 0.1 - 30.7}

The other area the Committee will deal with is the Highway Special Revenue fund. There is a declining ending fund balance in that account already. Between gas and diesel taxes the revenues are \$20 million lower than what is included in HJR 2.

Motion: Rep. Kasten offered and moved a global amendment HB000204.atp. **EXHIBIT**(aph48a01)

{Tape : 1; Side : B; Approx. Time Counter : 0.1 - 6.8}

Discussion: Rep. Kasten asked Taryn Purdy, Principal Fiscal Analyst, Legislative Fiscal Division to explain the amendment. Ms. Purdy said this amendment, at it's core, will reduce FTE in each agency by 1%. If an agency had been left with a reduction of less than .5 FTE, then that agency was exempt. The dollar impact in the General Fund reduction is approximately \$3 million each year, approximately half of that reduction is in the University System. The total reduction in funding is approximately \$5.5 million each year. Total reduction in FTE, among state government, is 107.75 FTE, and an additional 40 FTE in the University System or an approximate total of 150 FTE.

One other aspect of this amendment, and how it might be applied, is a converse aspect of this amendment. By applying it to one division, and allowing the agency to allocate that reduction, what happens to the budget is, the division in which that reduction is taken does not reflect legislative action, nor do the budgets of the remaining divisions that may have those FTE allocated to them later on, reflect legislative action on those divisions. The actual operating plans to be implemented by the agencies will not be reflected, either in the Bill or in the Narrative accompanying the Bill, and because statute says that the agencies must spend in conformance with legislative intent which is reflected in the HB 2 Narrative, it will present some difficulties when determining whether or not the agencies are spending in accordance with legislative intent and when they have to report to the legislative finance committee when there is a significant difference for that legislative intent.

Rep. Buzzas asked Ms. Purdy to explain the \$3 million a year and \$5.5 million a year savings to state budget. Ms. Purdy said that approximately \$3 million per year is the general fund savings and the \$5.5 million is total fund savings. She added that the FTE reduction was not applied to those positions that are off budget. This is applied only to HB 2 funded positions so any proprietary funded positions that are not in HB 2 would not have been impacted by this amendment. Rep. Buzzas asked if, in the \$5.5 million, does some of that include federal funds? Ms. Purdy said yes, it does. The approximate savings in federal funds would be approximately \$1,050,000 each year. She pointed out to the committee that the application of the funding sources is not precise, it was an estimate based upon the funding of FTE in the

base year and the FTE reduction does not include any modified positions or new proposal positions added by the legislature in FY 2002.

{Tape : 1; Side : B; Approx. Time Counter : 6.8 - 14.3}

Rep. Tropila asked what would be the total number of employees affected. **Ms. Purdy** said in Non-University the reduction is 107.75 and University would be approximately 40 FTE.

Rep. Buzzas asked if the approximate numbers were being based on the average salary of \$29,000 per year? **Ms. Purdy** said that is correct. They applied the average salary for a state employee which is \$14.25 an hour, applied benefits to that, and then applied that to the reduction in FTE.

Rep. Jayne asked **Rep. Kasten** what the rationale of the amendment is? **Rep. Kasten** said we have grown 7% this biennium, the largest increase in the last 3 or 4 biennia but the population in the State of Montana and the number of government employees is a mismatch and one way to control it is with this type of amendment. **Rep. Jayne** asked if there is a possibility or consideration of cutting equipment or some other items, instead of FTE? **Rep. Kasten** said no. Government means FTE and that is where the dollars are.

Rep. Lindeen asked **Rep. Kasten** if he had an opportunity to speak with the chairmen of the other subcommittees about the work they had done as far as trying to cut back on spending, limit FTE's and growth and whether they had any reaction or thoughts about this amendment? **Rep. Kasten** said he did visit with them, not specifically about this amendment. Even though it is hard to hold, the government is still growing faster than he feels is necessary and that is the reason for his amendment.

Rep. Tropila asked **Rep. Kasten** if he had figured what the effect would be on the Unemployment Compensation Fund? **Rep. Kasten** said no, he hadn't.

Rep. Vick commented on the number of current vacant positions in state government.

Rep. Buzzas said this amendment is not a good way to cut government.

Rep. McCann wanted to be clear on the impact of this amendment. He asked if the 107 state FTE exist right now? **Ms Purdy** said, based upon the number that are being funded in HB 2 right now, the positions are on the books. Whether or not they are filled

is the issue that **Rep. Vick** raised. **Rep. Vick** said he did see the list and thinks there were 20 vacant positions in the Department of Corrections, so if you extrapolate that, there would clearly be more than 100 vacant positions in state government.

Rep. McCann asked **Rep. Witt** if he recalled the 40 FTE in the University Budget, and would they be additional FTE or would they be existing FTE that might feel the impact of this global motion? **Rep. Witt** said he is not sure what the impact would be.

Ms. Purdy said, as recalled earlier in the session, the legislature does not appropriate FTE, but appropriates funding associated with FTE. In the University System, the legislature doesn't appropriate funding associated with FTE so it makes the comparison a little difficult. The way the amendment was written was essentially to take what would be equivalent in FTE, the number not used, to create the budget.

Rep. McCann commented that he has watched this process over the last 8 years and the way the subcommittee work is done prior to funding Education and now Local Government. The people in his community want and need money. The process is somewhat unfair because right now the process is Department driven. We work in subcommittees regarding the needs of Public Health, Corrections and all the Departments. Their needs and requests are considered first. He will be curious to see what happens in this committee, if in fact, we are going to reach into the subcommittees' actions and remove some of these funds because **Chairman Vick** made it clear that there are no reductions in their base, only reductions in new proposed spending. He does not see this motion as being unreasonable and will support it.

{Tape : 1; Side : B; Approx. Time Counter : 14.3 - 29.3}

Rep. Fisher asked how the amendment is going to impact unemployment. If they take the vacant positions out, it will probably be minimal.

Rep. Lewis spoke to the committee about HB 13, the state pay plan which he will be presenting in a few days, which has a \$31 million general fund appropriation for the pay raises. He stated that he didn't think he could, in good conscience, come before the committee with what he considers a very critical piece of legislation unless he supports the **Kasten** global amendment.

TAPE 2 RECORDED OVER AT THIS POINT.

{Tape : 2; Side : A; Approx. Time Counter : 0.4}

THE DISCUSSION THAT IS NOT ON TAPE WAS IN THIS ORDER:

Reps. Kaufmann, Haines, Jayne, Vick and Buzzas.

Rep. Kasten closed on his amendment.

Vote: The Kasten Global Amendment HB000204.atp passed 12-6 with Reps. Buzzas, Callahan, Jayne, Kaufmann, Lindeen and Tropila voting no.

Motion/Vote: REP. TROPILA moved that TECHNICAL AMENDMENT HB000201.ATP DO PASS. EXHIBIT(aph48a02) Motion passed unanimously 18-0.

Motion: Rep. Witt moved a conceptual amendment for a 25% reduction across the board on travel. EXHIBIT(aph48a03)

DISCUSSION: Reps. Witt, Fisher, Jayne, McCann and Ms. Purdy discussed the travel expenses amendment.

Discussion resumes on Tape 2 Side B.

Rep Buzzas asked **Rep. Witt** which agency he was referring to. **Rep. Witt** said it was the Office of Public Instruction. **Rep. Buzzas** asked if \$30 million is spent for travel will \$4 million come from the general fund? **Rep. Witt** said the total in general fund is \$3.98 million on travel expenditures. **Rep. Buzzas** asked if that additional \$26 million on travel is federal or special revenue money? **Rep. Witt** said that can be federal, special revenue or general fund.

Rep. Vick explained the \$30 million. Some of it is federal special, some of it is state special and some of it is general fund and they have a list of general fund so the rest of it would be either state, special or federal.

Rep. Buzzas said, because they don't have all agencies listed, would some of the those agencies be general fund money? **Rep. Vick** said he assumed that is correct.

Rep. Peterson spoke in support of this concept and the amendment.

{Tape : 2; Side : B; Approx. Time Counter : 0.1 - 5.3}

Rep. Jayne asked about the amount reduced from the Department of Health and Human Services and if the sponsor of the amendment had looked at each department to see how the reductions would effect

services that go out to the public, such as the disabled and elderly.

Rep. Witt said he hadn't analyzed each and every Department, but not all the agencies represent the work they do in the state. It is fairly easy in everyone's budget to look at a 25% reduction in travel in a time when the state is in need of funding and to increase the ending fund balance.

Rep. Jayne stated that she will be voting "no" on this amendment and for several reasons; one being that there has not been enough analysis done to project where some of the travel can be eliminated or reduced. She doesn't object to eliminating non-essential travel, however, if there is an across-the-board reduction for all the departments. It is not fair or equitable to some of the individuals. For example, the Department of Justice does a lot of litigations and some involve foreign travel. This needs to be looked into.

Rep. Kasten referred to Conservation and Energy Issues. In eastern Montana, which is very rural, their highways are traveled by about 40% government. He stated that with the information and technology there is now, at costs of millions of dollars, some of the meetings could be held without travel. He applauds the amendment.

Rep. Lewis said he agrees with the proposal to cut out-of-state travel but is a little nervous about the impact on the non-employees because of placements, extraditions etc. In Public Health and Human Service, the travel is probably for placing juveniles in out-of-state treatment. As long as the agency has maximum flexibility to allocate it, he would approve it, than to reduce it dollar by dollar by division.

Rep. Vick referred to **Rep. Fisher's** question about the Department of Corrections and it is his understanding that it does include transportation of prisoners and the non-employee travel, the majority of that being transfer of prisoners. He would support exempting that portion from this amendment.

Rep. Fisher said this was addressed in the subcommittee. It is expensive to send one or two guards to pick up someone in Florida. He would like to offer such an amendment that the 25% would not apply to travel that is used for extradition of prisoners.

Ms. Purdy said that would have to include the Department of Justice because they also transport prisoners. **Rep. Fisher** agreed.

Motion: REP. FISHER moved a **SUBSTITUTE AMENDMENT TO EXEMPT THAT PORTION OF TRAVEL THAT IS USED FOR THE TRANSPORTATION OF PRISONERS.**

Rep. Buzzas said she thinks this substitute amendment is a very good reason why they should oppose both the amendment and the substitute amendment. Everyone who sat on the subcommittee could make arguments for required travel based on job duties of employees in these various Departments. OPI was singled out because they receive federal money. They have to monitor grants and they have a certain amount of travel that is required. The same could be said for the Department of Public Health and Human Services.

Rep. McCann said he has some concerns about the amendment and, as an example, during the interim there is a committee that brings in developmentally disabled people and they are compensated for their travel. He is not opposed to this amendment but his concern is, if the Division will use their authority to continue to travel to workshops etc. either across the country or within the State of Montana. He hopes that this committee, in event they do pass this amendment, becomes aware in the process that they have been unfair and will be receptive to adjustments.

Rep. Callahan said that he will support **Rep. Fishers'** motion for that very reason but is opposed to the proposed amendment by **Rep. Witt.**

Rep. Witt said he would oppose the amendment himself, but, if one looked at what the Department of Justice spends in state, out-of-state and non-employed, that is more than enough reason to consider this proposal of \$112,000.

{Tape : 2; Side : B; Approx. Time Counter : 5.3 - 22.3}

Rep. Pattison said the number for Corrections for travel expenditures for prisoners that are out-of-state, should not be an every year expenditure for out-of-state travel.

Rep. Fisher closed on his substitute motion.

Vote: Substitute motion to exempt the portion of travel that is used for prisoners on Witt amendment to cut travel 25% across the Board passed 10-8 with Reps. Buzzas, Callahan, Davies, Jayne, Kaufmann, Lindeen, Peterson and Tropila voting no.

Section C of HB 2

Rep. Haines opened **Section C of HB 2.**

Department of Fish, Wildlife and Parks

Jeff Hagener, Director, Fish, Wildlife and Parks spoke to the committee about his Department. Their mission at Fish, Wildlife and Parks, through its employees and citizen commission, provides for the stewardship of Fish, Wildlife and Parks and recreational resources of Montana while contributing to the quality of life for present and future generations. Their organizational structure is set up with eight divisions and in addition to that they have their Field Operations' Division. He referred to the budget for the divisions in the Narrative and explained each one.

{Tape : 2; Side : B; Approx. Time Counter : 22.3 - 30.1}

{Tape : 2; Side : A; Approx. Time Counter : 0.1 - 5.4}

Rep. Haines explained the work they did in subcommittee and the results are presented in the Narrative.

Rep. Lindeen referred to the Chief Plenty Coup State Park issue, and asked what kind of factors were involved for money not being spent on this plan?

Rep. Haines answered that part of it was a management view and now there is a manager in place that will see that it gets done.

Rep. Lewis asked about the alternative pay plan and have they now lost all control of equal pay for equal work.

Mr. Hagener said that only 50% of employees received raises because they were trying to move to the market ratio and they were obligated to deal with people that were there. It was a one time only adjustment, so not everybody got that adjustment. It was bringing people to market. What they were basing on was the four surrounding states that have similar structures. They are the only ones that have game wardens and they did not go along with the law enforcement adjustment that occurred last time which was actually a 9% increase which was more than they gave the wardens through this plan.

There isn't much competition for biologists. There are some other agencies that do have biologists. They have made some rate adjustments but are still having difficulty, in some cases, in trying to recruit people into those positions because of the salary.

Rep. Lewis asked if this effected any of the administrative employees? **Mr. Hagener** said only a small portion of those and it

would have been only employees that were well below the market value. **Rep. Lewis** commented that in some cases they are paying more than other state agencies for the same classification and the same skills. **Mr. Hagener** said they may be if they have people that are substantially lower than the market.

Rep. Fisher asked when they make these pay increases, do the wardens getting the increases, stay within the same salary bracket or are they moving them up a bracket in order to accommodate these increases? **Mr. Hagener** said not in the last session. That adjustment was for law enforcement personnel over the entire state. The wardens were very upset with that because they would have had a 9% increase. On the average all they gave them was 7%. **Rep. Fisher** said, then the increase he spoke to was for Highway Patrolmen only. **Mr. Hagener** said that was correct. The entire state is moving toward a competency based pay plan and each agency was asked to look at various pilot programs rather than have 25 grades that are currently in the system.

Rep. Fisher said the prison system is applying for the same thing.

Rep. Peterson noted the pay raises ranged from \$11,000 to \$112,000. What positions justified those types of salaries?

Mr. Hagener said that refers to the overall statewide band and includes all of those bands in state government. The highest in his agency is his salary which is in the \$70,000 range. The \$112,000 salaries are with the people at the Warm Springs Hospital such as the psychiatrists.

{Tape : 2; Side : A; Approx. Time Counter : 5.4 - 20.6}

Rep. Vick said there was a Bill heard yesterday to increase out-of-state license costs and one of the rationales for that was to delay the increase in the in-state license costs. What effect will this \$900,000 pay increase have on hunting license costs?

Mr. Hagener said that was a one-time adjustment. It was done to pull people to market and as it was only a one-time impact, was absorbed within the agency. They cut money out of other programs to fund that. It was not a net increase and did not have an effect on the license fund balance at all.

Rep. Vick said it is not a one-time impact because they have to pay \$850,000 to those people next time plus 4%. **Rep. Haines** told the **Chairman** he was correct. That is a continuing price for that position once that pay raise has been given. He does not know how that would work out in the overall scheme of license funding

or specific impact. The general license fund is a declining fund. The revenue projected for both years of the coming biennium are nearly \$26 million.

Rep. Vick said he asked the staff to bring information on some action in subcommittee. For instance "the Department proposed these general fund reductions" and he's curious why the subcommittee did not take them. It is eliminating the general fund portion of the Parks Division by switching fund sources from general fund to Parks Current Revenue, eliminating the general fund portion of the Conservation Education Division by switching funding sources from general fund to general license dollars and eliminating the general fund of the Law Enforcement Division by switching funding sources to general fund to general license dollars. He is curious if this was proposed by the Department, why was it not accepted?

Rep. Haines said he did not recall that proposal by the Department. One of the reasons he would resist that is because the general license fund, as just mentioned, is declining sharply. License fees will have to be increased in the near future. There are a lot of things the Fish, Wildlife and Parks employees do that are funded out of the general license account, that, in reality, probably should not come from there.

Mr. Hagener said he agreed with **Rep. Haines** and did not recall there was ever an offering up of all the general funds.

Gary Hamel, Legislative Fiscal Division, said, regarding the three general fund proposals from the subcommittee, the Department was asked to bring forth general fund that they may be able to offer up for reductions. In this particular case, the Department of Fish, Wildlife and Parks had indicated that with these total amounts that are shown, 5% of that could easily be taken up without any problem. Anything beyond that would require a backfill of either general license money or, in the case of the Parks Division, Parks earned revenue. In order to increase that, fees for various entrance fees and Parks' camping fees etc. would have to be increased about 40% in order to do that funding switch.

Rep. Vick said then the \$588,000 is the total amount that they could absorb 5% of. Is that correct?

Gary Hamel answered that the total amount in the amendments that he has, is the total amount of general fund in the Department which does represent 100% of the general fund.

Motion: REP. VICK moved that HB 2 BE AMENDED, conceptually to reduce the Department of Fish, Wildlife and Parks general fund expenditures by 5%.

DISCUSSION: Rep. Buzzas asked if the Department would have to raise fees in order to cover that 5%? Mr. Hamel said that the Department would be able to absorb the 5% figure without having to raise fees or utilize other funding sources.

Vote: Rep. Vick's conceptual amendment to reduce the Department of Fish, Wildlife and Parks general fund expenditure by 5% passed 14-4 with Reps. Buzzas, Haines, Kaufmann and Tropila voting no.

In response to a question from Rep. McCann, Ms. Purdy said if he looks at each program, the funding paragraph that is given, the analyst has tried to give a summary of what general fund is used for as opposed to what other funding sources are used for. Any further information can be provided in whatever detail he wishes.

Rep. McCann asked the Director why would the general fund be in these three areas when they have the ability to increase the fees?

Director Hagener answered that his understanding is, that's the way the Parks Program has been funded for many years. As far as the conservation education and the enforcement programs, they were removed and what was given as a replacement portion was general fund.

Rep. McCann asked what happened to the fines and fees? Director Hagener answered that was in a broad Bill that did that to all agencies and put all of those into the general fund.

Department of Environmental Quality

Jan Sensibaugh, Director said the mission of the Department of Environmental Quality is to protect, sustain and improve a clean and healthy environment to benefit present and future generations. The Department has two Boards attached to it. One is the Board of Environmental Review which adopts Department rules and reviews appeals of Department decisions. The other Board is the Petroleum Tank Release Compensation Board which provides funding for the Underground Leak and Storage Tank program. There are four Divisions within the Department and they also have the Centralized Services program. The Centralized Services Division is the Division that does the information technology computer maintenance for the Department. It does the accounting and contract management as well as all the purchasing and internal management for the Department.

Ms. Sensibaugh the next Division in the Department is the Planning Prevention and Assistance. This Division provides the support to the Division and the Department in developing standards, doing the monitoring for water quality and air quality.

The next Division is the Enforcement Division which provides enforcement support to the Department when there are situations where they have to pursue formal enforcement in administrative procedures or court action.

The next Division is the Remediation Division that directs and oversees investigation and cleanup at state and federal superfund sites and other sites where chemical, petroleum or other spills and releases have caused, or potentially caused, ground water contamination, reclaims abandoned mine lands, regulates underground storage tank construction, implements corrective action at sites with leaking underground storage tanks and serves as staff to the Petroleum Tank Release Compensation Board.

The last Division is the Permitting and Compliance Division. This Division issues all the permits for the Department, everything from solid waste facilities, vehicle facilities, air quality, water quality and mining. They also do all inspections.

Rep. Haines commented on how the agency funding compares to the base funding. Their total funds increased \$40.7 million over the biennium. General fund increase is \$1.7 million and state special revenue increased \$22.6 million for the base. One of the reasons for the increases is there is a \$30.5 million bond forfeiture and that is administered as another fund. In terms of changes to the executive budget, the general fund is decreased by \$631,000. They decreased the state special revenue by \$39,000 and increased the federal special revenue by \$2.6 million, most of that is due to when they decreased the other two fund areas they moved activities into the federal special revenue to the extent they could.

Rep. Fisher referred to the 370 employees now, where will they use the 21.5 employees the Department is asking for?

Ms. Sensibaugh said they're spread throughout the Department. The largest number of those employees are for the total maximum daily load program which was formed under a court order to get their watershed management plans in place by 2007 because of a law suit that was filed.

Rep. Fisher followed up by stating, in the enforcement division they have 16 employees, 166 in the Permitting and 100 in Planning

and Prevention and it looks disproportionate. The enforcement group appears to be short.

Ms. Sensibaugh said they are not, actually. In the Permitting and Compliance Division, which is the largest Division with 166 employees, is the Division that issues all the permits, does all the inspections, does all the compliance assistance activities and then for those few companies that they find where the violations are such a magnitude that they feel they need to pursue enforcement, or they are recalcitrant, they turn over to the enforcement division to pursue the formal enforcement action. So in relation to the workload of the Department, the enforcement division doesn't carry that much work load. They are the last resort, so to speak, when they actually have to pursue getting penalties and doing formal enforcement actions.

Rep. Fisher said he received a letter from a mine owner concerned about the Kendall Mine and the mine owner took exception to what the department said had been done and what needed to be done.

Ms. Sensibaugh said they have been in long-going negotiations with the Canyon resources, which are the owners of the Kendall Mine. They are currently holding a bond for the land reclamation work at Kendall Mine which is \$1.8 million. Subsequent to studying that bond amount, they had discovered some water quality problems at the mine and had been working with the mine to develop a reclamation plan for the water quality treatment system. They felt they needed a regular water treatment plant that would serve in perpetuity which was very excessive to fund. The mine felt that they could do some passive treatment systems which they had done on a pilot project but which hadn't been demonstrated to be effective. They wanted to bond for those bio-treatment cells, so to speak.

Subsequent to that letter, they actually had negotiated an agreement with Canyon Resources where the Department has forfeited the \$1.8 million bond and will start reclamation work at the mine this summer. They have hired a new engineer who has decided that the bio-cells will not work and she is working with staff to develop a new water treatment plan for the mine.

Rep. McCann asked about the increase in state specials of \$22.6 million and is there a certain area that is creating this money more than another area in the Division.

Ms. Sensibaugh said state special is where that bond money goes.

Rep. Haines said that is to the base and is not an addition to the base.

Mr. Hamel said the \$22.6 million, or the 56.9% increase, comes from the base comparing the 2001 biennium to the 2003 biennium so what they are doing to show that comparison, is take into account all the state-wide present law adjustments and various operating and administrative increases that go on through the decision packages that are approved. It also includes \$3.5 million biennial appropriation for Orphan Share and includes the bond forfeitures that are included as authority for state special revenue.

Rep. McCann said this revenue has to be created somewhere to pay for this within fees or something else. **Mr. Hamel** said the \$30.5 million is the authority the Department has been given to spend. Much of that may be restricted or contingent upon receiving the bond forfeiture money. Once those bonds are forfeited then they have the ability to spend that. Until that time, those conditions exist.

Ms. Sensibaugh said quite a bit of the state special is authorization to spend, like the bond forfeitures, and they also have \$3.5 million to spend from the Orphan Share account in the Remediation Program because they are anticipating bills from that program that they will have to pay when they come in. They also have a one-time only restricted amount of \$1 million in their MEFA projects account so that if they actually get MEFA projects they are going to build applicants for those projects so they can spend that money. Quite a bit of that is anticipated costs they are going to have or money they are going to receive to spend.

Rep. Kasten said the concern he had when he went through the analysis was a lot of these funds were recommended to be one-time only and he was wondering if that was adhered to through the budget process.

Rep. Haines said that he can't think of any one-time recommendation that they did not accept.

Rep. Tropila said **Rep. Haines** is correct. Most of these were language appropriations restricted one-time only, specific to the bond forfeitures they were for.

Rep. Fisher asked if that included the employees and if the bonds were one-time only, would that have any effect on the new employees? **Ms. Sensibaugh** said no. The new employees are not associated with the bond forfeitures. They have staff that are working on that but most of that is contracted money and contracted employees for that work.

{Tape : 3; Side : A; Approx. Time Counter : 9.3 - 31.1}

DEPARTMENT OF LIVESTOCK

Mark Bridges, Executive Officer, Board of Livestock, said the Department's mission is to protect Montana's livestock industry from theft, disease, and predators and to insure the public has clean, wholesome and healthful food products, such as meat, milk and eggs. The Board of Livestock consists of four cattle producers, a wool grower, a swine producer and a dairy producer.

The Department is made up of seven divisions; The Brand Enforcement Division or Inspection and Control is responsible for the inspection of livestock, the recording of marks and brands and to insure and protect the industry from theft.

The Animal Health Division is the agency that prevents and eradicates disease in the state livestock industry.

The Diagnostic Laboratory in Bozeman is the branch of the Agency that insures the discovery, along with the Animal Health

Division, and eradication of diseases between animals, livestock and humans.

The Milk and Egg Division does all the sanitary work in regard to milk and eggs that the public consumes in the State of Montana and interstate commerce through sanitation of the shell-egg program.

The Meat Inspection Bureau does the regulatory function of inspecting all of the meat food products in the State of Montana that are either slaughtered or processed. They also insure that unwholesome meat food products don't go into the public health food chain.

The Predator Control Program protects the industry from predators that prey on the livestock in the state.

Rep. Haines explained to the committee the results of the subcommittee and its funding. The changes to the base for two years of funding, the total funds increased \$2.9 million or 20%. Of that the general fund increased \$157,108. State Special Revenue increases were \$865,048 and Federal Special Revenues were \$1,852,753. In terms of changes to the Executive Budget, the total funds increased by \$270,000 over what the Executive had. Of that, the general fund or decreased by \$20,000 what the Executive had. State Special Revenue increased \$43,000. Federal Special Revenue was increased \$255,000 which involved the Bison problem in Yellowstone Park. This Agency is unique in that it

does have the affordable livestock it answers to and between last session and this session, they are very conservative because they are spending, to a great extent, their own money.

Rep. McCann asked **Mr. Bridges** where the \$865,000 State Special Revenues increases are from? **Mr. Bridges** said they are paying for it with per capita tax, which is the livestock tax on species of livestock in the State of Montana. It is now \$1.20 on cattle over 9 months, \$.25 for sheep, \$3.00 on horses, .01 on beehives and inspection fees.

Rep. Vick said that it is good for the Committee to know where the special revenues are coming from in each department. **Rep. Haines** agreed.

Rep. Vick asked about the per capita fee and why wasn't it raised? Are there more livestock that the fee is being imposed on or was this all out of a fund balance that will be maintained by this action?

Mr. Bridges said that the industry has gone through a drought last year and may be headed to another one this year. The Board is watching the head-counts very closely but they don't want to increase the per capita fees and place that burden on the Livestock Industry. If necessary, they will re-visit the Department's funding and if they have to make cuts within, will without raising that per capita tax on the producers. The fund balances are narrowing and that is where the Federal Bison funding will come in.

Rep. McCann asked if the federal money is designated to the buffalo issue? **Mr. Bridges** said yes. The FTE are seasonal and if the federal money goes away, they go away. **Rep. McCann** said the total base budget increased \$270,000 over and above the original projection. Does it reflect the federal money activity?

Mr. Bridges said the increase in state and federal revenue implements a laboratory information system at the diagnostic laboratory and they have to keep this federally approved lab up to speed. They have totally rebuilt the computer processing system.

Rep. Haines spoke to **Rep. McCann's** question also. The bulk of the \$270,000 or \$80,000 went to deal with the bison issue. There is participation in the Interagency Brucellosis Commission of \$175,000.

Rep. Lewis asked about the penny per bee-hive they receive for administering that program. Do they actually count the hives?

Mr. Bridges said the Department of Revenue counts the hives which are used as predator control.

{Tape : 3; Side : B; Approx. Time Counter : 0.1 - 16.1}

DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION

Bud Clinch, Director, Department of Natural Resources and Conservation said their mission is to manage Montana's water and land resources for present and future generations and they do that through seven distinct divisions through a wide variety of programs. There are 500 FTE through 38 separate field offices. DNRC is primarily a field organization. Two-thirds of the employees work outside of Helena and all of those are located and involved in on-the-ground activities in land and water management.

The seven divisions that comprise DNRC carry out a wide variety of activities. The first division is the Reserve Water Rights Compact Commission. That is attached to the Department for administration purposes only. It is overseen by a nine-person Board that has appointed members of both the legislative branch, the executive branch as well as a representative from the Attorney General's office. The Reserve Water Rights Compact Commission is charged with carrying out the allocation of Water Rights associated with those federally reserve lands of the Forest Service, the BLM, the Fish and Wildlife Service as well as the Indian Tribal lands in Montana.

The second division is the Trust Land Management Division. It oversees the 5.2 million acres of school trust lands that were granted to the State at statehood. It is also one of the unique arms of government that is a revenue generating arm.

Another division is the Forestry Division. They are involved in fires, fire prevention and fire suppression. This division is charged with responding to direct fire protection of nearly six million acres as well as a cooperative program of an additional fifty million acres of county co-op protection.

There is a Centralized Services Division that provides support services to all of the divisions; financial, technical as well as communications.

The fifth division is the Conservation of Resource Development Division that provides a wide variety of services; technical and financial assistance to all of Montana's Conservation Districts as well as a very expensive loan and grant program for the state involving a waste water program and drinking water program.

The sixth division is the Water Resources Division which basically has authority over Montana's water resources and that includes everything from water rights, to water allocations, to state water projects, to dam safety and a variety to other flood plain and regulatory functions.

The seventh division is the Oil and Gas Division which is also an administratively attached division. They are located in Billings and are a quasi-judicial branch that has authority over the exploration and reclamation and development of gas resources across Montana.

Rep. Haines said the total funds increased are \$14.7 million over the biennium. General fund increases were \$3.4 million, state special revenue increased by \$9.5 million, federal special revenue increased by \$1.8 million to the base. In terms of the executive budget, general fund increased \$1.8 million over the biennium, state special revenue increased \$802,000 and federal special revenue decreased by \$450,000.

Rep. Jayne asked about the amount that was increased in the base budget, \$14.7 million and was that the total amount that was added? **Rep. Haines** said that was the total amount and included all types of funding.

Rep. Jayne referred to **Mr. Clinch's** statement that there was about \$45 million deposited into the general fund. Of that, how much was deposited or used for school funding? **Mr. Clinch** said all of that. **Rep. Jayne** asked how many timber sales did the department participate in this last biennium? **Mr. Clinch** said that approximately 20-25 new timber sales were offered during that year, and most timber sales have a longevity removal of contracting from three to five years. They have approximately 50-60 ongoing timber sales over a period of time and that the Department doesn't necessarily track the specific costs by individual timber sales. What they do track is the total expenditures and income on an annual basis program-wide.

That \$45 million is referred to as distributable income. That fluctuates each year because it is a combination of what the actual revenues are that are generated off of all of these as school trust land as well as what the interest income is off the trust and legacy fund, which is another fund where revenues from resources that are permanent dispositions, such as oil and gas, are deposited into a permanent account. Of that \$45 million, approximately \$25 million are from rentals and lease payments and about \$20 million from interest off the trust and legacy account. All of that revenue is dedicated to funding schools.

There are two kinds of revenues that come off the school trust lands. Those that are described as distributable and those that are non-distributable. Basic interpretation is those that are renewable that occur year after year are distributable and those go each year to education. Those that are the non-renewable resources like oil and gas or if there was a sale of land or easement, since that is a permanent disposition, those revenues, by law, are deposited into a permanent fund. Annually, the interest off of that permanent fund is added to distributable income and that collectively goes to fund education.

{Tape : 3; Side : B; Approx. Time Counter : 0.1 - 29.1}

Rep. McCann asked if the state special revenues are derived generally overall? **Mr. Clinch** said that is correct. The Department is funded from a variety of sources; general funds, state special revenue sources and federal funds. Relative to the state special revenue, all of the revenue generated off of trust lands is state special revenue and that entire division is funded out of state special revenue. Each of the other divisions have various components of sources of state special revenue.

Within the water resources division, they generate state special revenue off of the sale of water from the state water products, such as Tongue River Reservoir and others. They also generate revenue from the state-owned hydro project in Toston. A variety of those functions are associated with water resources.

Within the Forestry Division, they generate revenues from assessments on private land owners for fire protection that they provide as well as revenues associated with an assessment on timber harvesting. Those are the major components of state special revenue. The largest source of state special revenue is the assessments on private land relative to the fire protection provided.

Motion: **Rep. Kasten** moved an amendment **C/5706-2DKS.doc.**
EXHIBIT (aph48a04)

DISCUSSION: **Rep. Kasten explained his amendment EXHIBIT (4)**

{Tape : 4; Side : A; Approx. Time Counter : 0.1 - 3.5}

Rep. Kaufmann said she will resist the amendment because she believes that the Agriculture Heritage Program is a fairly new program and shouldn't need review when it has just begun to function. This is a completely voluntary program for land owners who are looking for ways to keep their land and agricultural production.

Substitute Motion: Rep. Kaufmann moved a substitute amendment HB000213.alt. **EXHIBIT**(aph48a05) Withdrawn.

DISCUSSION: Rep. Kaufmann explained amendment HB000213.alt EXHIBIT 5.

In answer to a question from Rep. Witt, Mr. Clinch said that during the last Legislative Session, when the program was initiated, there was a great deal of discussion concerning the appropriate place for this program and apprehension on behalf of the agricultural and ranching industry about the concept of conservation easements. Even though it was recommended initially by the committee's evaluation, to establish it in DNRC, on the House Floor a motion was made that designated it in the Department of Agriculture. It was based on the perception of the concern that it needed to be in more of a "safe harbor". That occurred shortly after the legislature adjourned. By an executive order, the Governor transferred the program and it ended up with an MOU between the Department of Agriculture and DNRC. The funding was transferred as well as the FTE and for the last biennium they have carried out the program and quite successfully, which relieved apprehensions and concerns.

Rep. Witt asked Mr. Clinch for some examples of the agricultural conservation easements and the purchases. Director Clinch stated that over the biennium the commission received 22 applications relative to conservation easements and they approved 8 separate grants that totaled \$888,000 in expenditures of the \$1 million. In addition to that, those grants that were made through this program were matched by \$6.6 million additional federal and private sources. Rep. Witt asked Mr. Clinch if he would provide a list of those private sources. Mr. Clinch said he would.

Rep. Buzzas asked how long it takes to negotiate an easement? Director Clinch said it depends on the size of the easement. Some of them are easy after receiving the application, make a determination and then draft up the documents or make negotiations about precisely what it is they are purchasing. That is a willing buyer-seller negotiation that goes on between the Board and the applicant so it can be several months or it can be quite protracted if it is a large easement.

Rep. Buzzas asked if the Department believes they will spend the amount that was allocated and possibly some additional within the next biennium? Mr. Clinch said he doesn't feel there is a problem associated with allocating these funds to legitimate projects. He feels the issue before the committee is more policy.

Rep. Callahan asked where the FTE are proposed to be located? **Lorene Thorson** said those are the modified FTE in the Montana State Prison currently that were added this past biennium and are now in a proposal in the Department of Corrections to be added permanently. **Rep. Callahan** asked if they are necessary positions? **Ms. Thorson** said that the subcommittee left those bonafide FTE in the budget they funded, and took a reduction of 6 FTE at the Montana State Prison. **Rep. Callahan** stated that he feels those positions are needed in Corrections.

{Tape : 4; Side : A; Approx. Time Counter : 3.5 - 18.8}

Rep. Haines asked **Rep. Kasten** about his statement that there may be a problem because these are permanent easements and we need to have term easements. **Rep. Kasten** said that is correct. There has been some concern. **Rep. Haines** commented that this does allow for term and it is up to the individual that offers the easement whether it is permanent or not.

Rep. McCann asked if there is any type of easement that exists that is anything but long term? **Mr. Clinch** said he can't speak specifically to the seven that have been issued but the concept of being able to sell shorter term easements is certainly one that is contemplated and allowed. Obviously the value to the land owner, the money received, is substantially less if they are just agreeing to an easement for 10 years versus whether they are doing it into perpetuity. The decision falls at the time of the negotiations. The program is voluntary and is negotiated between willing partners buyers/sellers.

Rep. McCann said the idea behind the Agriculture Heritage Program is that the state puts up some money, also some federal money and then there is supposed to be private money to identify these tracts and land and set them aside. His problem with any type of easement process that exists today is that it is forever and he thinks that is wrong.

Rep. Tropila said this is a new program instituted by the last session of the Legislature and it has not had time to work. In subcommittee they had the same problems and he changed his vote in committee to get it out with a one-time only stipulation on the motion and biannual appropriation only so that it is still standing on the books.

Substitute Motion: **Rep. Tropila** offered a substitute motion for all motions pending, lower the amount to give the program a chance to work and split **Rep. Kasten's** motion in half, lowering it by \$300,000 dollars and let it work through the biennium. If

it doesn't, they can revisit it next time to either end it or add to it.

DISCUSSION: Rep. Buzzas said there is some confusion over the differences in easements. When this Bill was passed last session they heard from several farmers that liked this option.

{Tape : 4; Side : A; Approx. Time Counter : 0.1 - 30.1}

Substitute Motion Rep. Buzzas moved a substitute motion to leave the program where it is and give it a chance to work.

{Tape : 4; Side : B; Approx. Time Counter : 0.1 - 0.9}

DISCUSSION: Reps. Lewis, Buzzas, Haines, Davies to Mr. Hamel for clarification.

Vote: Rep. Buzzas substitute motion failed 8-10 with Reps. Brueggeman, Clark, Davies, Fisher, Kasten, McCann, Pattison, Peterson, Witt and Vick voting no.

Vote: Rep. Tropila substitute motion failed 8-10 with Reps. Brueggeman, Clark, Davies, Fisher, Kasten, McCann, Pattison, Peterson, Witt and Vick voting no.

Vote: Rep. Kasten amendment C\5706-2DK.doc passed 10-8 with Reps. Lewis, Buzzas, Callahan, Haines, Jayne, Kaufmann, Lindeen and Tropila voting no.

Motion: Rep. Lewis moved amendment HB000201.agh.
EXHIBIT(aph48a06)

DISCUSSION: Rep. Buzzas asked if the Crow Tribe agrees that this is enough money to meet the requirements of the settlement? Rep. Lewis said he believes there is a disagreement. He is suggesting that the Governor's opinion is that \$500,000 a year is adequate and that is what they are recommending.

Rep. Jayne asked what is the status of the interest? Rep. Lewis said the money goes into a trust fund and there is interest earned on that trust fund until payment is made under terms of the settlement. Rep. Jayne referred to the amount that the Crow Tribe is not getting and is there interest on that money? Rep. Lewis said that the proposal from the administration is that they would pay \$500,000 a year into the trust fund rather than the \$1.5 million that was originally contemplated and so the trust fund would be diminished. Rep. Jayne asked if there is interest on the \$15 million and does it go to the Tribe?

Chuck Swysgood, Director, Office of Budget and Program Planning

Budget said the only interest earned on the money going to the escrow account is that which is actually put into escrow account. That money is coming from the general fund that is in the escrow account and interest earned in the budget is kept there. Until it goes into the escrow account it does not earn any interest for the Tribe.

Rep. Kaufmann explained some of the issues that are not clear. What the language of the agreement says is "the State agrees to contribute the sum of \$15 million equal annual installments for a period of no more than 15 years". We have already made two annual installments. They were for \$1.5 million each. If we drop now to \$500,000 we are clearly not living up to the terms of the agreement which say "equal, annual installments".

Rep. Buzzas spoke against the amendment based on **Rep. Kaufmann's** explanation and the fact that they break too many agreements with Native Americans.

Rep. Lewis asked **Mr. Swysgood** to explain the specifics of the recommendation. (Exhibit 6)

Rep. Kaufmann said this amendment clearly violates the language of the agreement, that there are not equal payments and they would jeopardize the whole agreement.

Rep. Jayne spoke against the amendment and asked the committee to recall the statement by **Governor Martz** that there is a commitment to build a stronger Tribal/State relationship.

{Tape : 4; Side : B; Approx. Time Counter : 0.9 - 22.4}

Rep. Fisher said that they have made two payments to the Tribe for \$1.5 million each which is \$3 million and the agreement says that they will put \$1 million each year into the escrow fund. The agreement says 15 years, \$15 million and if that is divided out it is \$1 million a year. They have already put \$3 million in and are going to put another \$500,000 in. It is a matter of interpretation and that they should not do anything to jeopardize that compact with the Crow Tribe.

Rep. Tropila said he served on the subcommittee hearing on this and the Crow Tribe was present along with others and they each had a different interpretation. Will it be cheaper to go to court or cheaper to pay the Crow Tribe the \$500,000?

Rep. Lewis closed on his amendment by saying the administration has looked at this carefully and honestly believe that this level

of funding that is proposed, comprised with the agreement, is why they should reduce the appropriation.

Vote: Rep. Lewis' amendment HB000201.agh passed 12-6 with Reps. Buzzas, Callahan, Jayne, Kaufmann, Lindeen and Tropila voting no.

Motion: Rep. Vick moved an amendment HB000205.agh.
EXHIBIT (aph48a07)

{Tape : 4; Side : B; Approx. Time Counter : 22.4 - 28.5}

DISCUSSION: Mr. Hamel explained the amendment. EXHIBIT (7)

Rep. Tropila said these are volunteer organizations with very little funding and they deserve all the help they can get, speaking against the amendment, stating that he would like to keep the \$100,000 in, if at all possible.

Rep. Jayne asked why there is the need to eliminate this amount of money? **Rep. Vick** said it is his understanding that there was an amount of money in the budget for the Conservation Districts. There was extra money from this allocation and the subcommittee decided to spend that on the Conservation Districts, but that was above the recommendation in the Governor's Budget. Because of the tight financial times we are in, they don't have that luxury and he has several amendments that are of this nature that just reduce spending back to the executive's request for these departments. They still have funding at the level requested by the executive branch and this just takes it back down to what was recommended initially.

Rep. Jayne asked what was the amount? **Mr. Hamel** said there was \$2.729 million that had been appropriated in FY 2002 and \$2.791 million appropriated in FY 2003 for the purposes of Growth Through Agriculture and the Department of Agriculture. They receive \$387,561 each year of the biennium. Local impacts for the Coal Board, Department of Commerce received approximately \$1.2 million each year of the biennium. The County Land Planning for Department of Commerce, \$198,693 each year of the biennium. The Conservation Districts for DNRC received \$657,435 each year of the biennium and the Library In-Services for the State Library Commission received \$284,227 each year of the biennium during that appropriation.

Rep. Jayne asked **Rep. Tropila** what was the reason for the increase for the Conservation Districts? **Rep. Tropila** because of ongoing projects by volunteers.

Rep. Vick stated that he does not have any problems with the Conservation Districts. It appears to him that in a time of tight budgets it is not the time to be spending what was not in the Governor's request.

Vote: Rep. Vick amendment HB000205.agh **FAILED 8-10** with Reps. Buzzas, Callahan, Clark, Haines, Jayne, Kaufmann, Lindeen, Peterson, Tropila and Witt voting no.

Motion: Rep. Kauffman moved amendment HB000212.alt.
EXHIBIT (aph48a08)

DISCUSSION: Anna Miller, Department of Natural Resources said these two pipeline projects are to bring safe drinking water to two different communities in Montana. This coordinator position has the duty of working with these communities. The Dry Prairie Community is probably 15 or 16 different communities in those four northeastern counties. (Exhibit 8)

Rep. McCann said he supports the amendment because initially when they made some global amendments, they recognized they were reducing costs of government and by the same prerogative, if something warrants support and can stand on its own, and he believes this program will, the reverse in the equation is true.

Rep. Fisher said they do need this money in the Department of Corrections. In the last session this water project was funded so it could be constructed. He is going to vote against the amendment.

Rep. Kaufmann asked if any funding had been put into this project or is it all federal funding? **Director Clinch** said there has been no state funds committed specifically to these projects, in fact, they are very early on in the process. A substantial portion of the overall funding of these projects will be federal funding as a result of the cost share associated with the development of treatment plants on the Reservations.

Rep. Kauffman said she tried to get this out of the Department of Commerce business recruitment money and was informed it is a statutorily appropriated fund and was unable to touch it. Her intention was to take the money out of FY 2002 from the modified FTE and in FY2003 take it from a \$4 million fund that was present that the Director said he wanted to hold back as an emergency fund.

Rep. Callahan said he believed that the \$4 million was set aside from the Department of Corrections' budget to account for the supplemental because they were over-spent and rather than go in

for a supplemental, they have been directed to hold back part of their appropriations to cover whatever amount they would request for a supplemental. So it is not just sitting there.

Rep. Witt said he has carried several water bills this Session and if they look at the long term results in North Central Montana and the economic development in the future, \$50,000 is a small price to pay. He encouraged the committee to vote in favor of the amendment.

Rep. Kasten said he supports the project because they have considerable funds appropriated in HB 11 for the time being.

Substitute Motion: **Rep. Haines** moved a **substitute amendment** that instead of using general fund they use Resource Indemnity Trust (RIT) fund money, \$52,000 for one time only.

{Tape : 5; Side : A; Approx. Time Counter : 0.1 - 30.8}

DISCUSSION: **Mr. Hamel** said the proposed funding for this particular regional water system coordinator is from reclamation and development. There is a remaining balance of \$280,137 which would certainly be enough to accomplish what needs to be done. The reclamation and development account within the RIT would have an adequate ending fund balance to accommodate this particular amendment.

Rep. Kauffman said she hasn't studied the RIT and is somewhat cautious about whether this is going to impact something else she's not aware of. **Mr. Hamel** said the projected ending fund balance takes into account all of the appropriations through subcommittee action to date as well as HB 6 and HB 7 grants. There are a number of projects that have already been appropriated and accounted for in developing this projected ending fund balance.

Rep. Vick said when they were discussing HB 6 in his subcommittee they allocated much of the RIT money. There were other projects they had considered funding with that RIT money but deliberately left a balance in that account, not because they didn't think the money would be there, but because, in essence, they weren't sure what else would need to be funded. There is extra money in the account because it has reached its cap and he doesn't believe it will effect anything they have funded, but if they fund this with it they limit any other options that they could use the money for.

Rep. Buzzas asked if the entire amount of the RIT money would be used or will \$181,000 be left? **Chairman Vick** said the entire amount would not be used.

Rep. Haines added to his amendment that he would like to make it one time only and that would allow the Legislature to look at this two years from now to see if they still want to use that type of funding.

Rep. Jayne asked **Mr. Clinch** for his thoughts concerning taking the \$100,000 from RIT. **Mr. Clinch** said that he is comfortable that the ending fund balance exists and it is an adequate and appropriate source of revenue.

{Tape : 5; Side : B; Approx. Time Counter : 0.1 - 6.6}

Vote: **Rep. Haines amendment** to take \$52,000 from the RIT fund, one time only **PASSED 15-3 with Reps. Davies, Kasten and Vick voting no.**

Rep. Lewis asked if there is \$180,000 left in the RIT balance? **Mr. Hamel** said that the remaining ending fund balance is \$176,029.

Motion: **Rep. Lewis moved an amendment** to take the remaining balance of \$176,029 and use it for operations of the Conservation Resource Development Division and reduce the general fund appropriations for 2002.

Discussion: **Rep. Buzzas** said she will be voting against the amendment.

Rep. Lewis said that for years they have used that money for operations of that Division and he would rather take \$176,000 out and replace it with RIT than have to make some of the other cuts they would have to contemplate later.

In answer to a question by **Rep. McCann**, **Rep. Lewis** said this would not increase the conservation district budget. He is taking the RIT remaining balance and reducing their general fund by an equivalent amount.

Rep. Jayne asked if this would be in the whole program or in DNRC? **Rep. Lewis** said the Conservation Resource Division has a \$4,150,000 general fund budget in 2002 and it would simply replace \$176,000 of general fund with an equivalent amount of RIT.

Rep. McCann referred to HB 6 concerning the degree of emergency status for projects and is this balance needed to recognize concerns that they might have in projects but are not aware of now? **Ray Beck, Administrator, Conservation and Resource Development Division** said the \$150,000 for emergency funds in HB 6 is a renewable resource account. What **Rep. McCann** is referring to is the reclamation account and there isn't the same language in that account. The grant amounts are already calculated into the system. **Rep. McCann** asked if there is any reason to have any remaining balance in the account? **Mr. Beck** said the only reason that it might be important is that it's a fluctuating number and depends a lot on the revenues that come in.

Rep. Buzzas asked if the committee could fund the Conrad Water District project with this money? **Rep. Lewis** commented that he is on a seeking mission for general fund and does not want to trade it off on anything else.

Rep. Lewis closed on his amendment.

Vote: **Rep. Lewis amendment PASSED 16-2 with Reps. Jayne and Kaufmann voting no.**

DEPARTMENT OF AGRICULTURE

Ralph Peck, Director, Montana Department of Agriculture said the Department's mission is to protect, enhance and develop all agriculture in Montana to encourage and promote production and marketing agriculture and allied industries and to provide protection for producers and consumers through administration and enforcement of statutes established by Montana's Legislature. The Department of Agriculture is funded by several different sources. They are funded 6.4% from federal funding, 3.6% from proprietary funding, 7% from the general fund and 82.9% from special revenue funds.

The Department is broken into three divisions; the Central Management Division, including the Director's office, accounts for 9% of the Department; the Agricultural Sciences Division accounts for about 52% of the Department and the Agricultural Development Division accounts for just under 39% of the Department.

Rep. Haines gave a brief rundown on the base funding for the Department of Agriculture. The total funds increased \$1.9 million or 11%; general fund increases were \$171,000; state special revenue increases were \$1.4 million and federal special revenue increases were \$238,000.

The only changes made to the executive budget was a switch of \$55,000 out of general fund and an increase to state special revenue by \$55,000.

Rep. McCann asked where the Department's state special revenue comes from?

Ralph Peck said the Montana Department of Agriculture is largely funded with state special revenue which includes a very large list of fees that the producers pay. For instance, there is an alfalfa seed assessment, produce assessment, feed and fertilizer programs fees.

Rep. Vick commented on the subcommittee's fine work with the Department of Agriculture.

Rep. Haines said that the Department of Agriculture went through a lot of self-imposed agony to find all the general funding they could possibly find to help the effort and he commended them.

Rep. Vick said he also appreciates the Department working with this Committee in that regard.

DEPARTMENT OF COMMERCE

Mark Simonich, Director, Department of Commerce said the Department of Commerce has 45 different Boards attached to it. Each one of these carries a lot of its own authority, acts with a great deal of autonomy and manages to staff their department.

First is the Weights and Measures program and is responsible for regulating scales and petroleum devices throughout the state. It is a consumer protection program to insure that the consumer is given fair quality when they are purchasing either petroleum products or any products whose value is set according to their weight.

There is a Banking and Financial Division within the Department and attached to that is the Banking Board. This Division is responsible for regulating state chartered banks and the Banking Board actually approves new charters for state chartered banks. The Banking Division has all the Bank Examiners that do the examinations of those banks. The Banking Board is also responsible for approval when they get applicants that are planning to become a foreign capital depository, which has become the Swiss-style banking in Montana.

The Professional Occupational Licensing Division run the gamut from licensing Architects and Cosmetologists to Medical Examiners, Dentistry, Plumbers, Electricians and Realtors.

{Tape : 5; Side : B; Approx. Time Counter : 0.1 - 29.1}

The Board of Research and Commercialization is a new Board that was created last year during the Special Session. It is a six-member Board with Board members appointed by the Governor and then by members of the Legislative leadership. This Board runs grant programs to provide grants for the purpose of doing research which will then lead to commercialization of either products or technology, both agricultural and non-agricultural in the state.

The Economic Development Division, as per its name, works toward economic development within the state. It includes regional development officers, involves the management of micro-business finance programs and works with small business development agencies in the state as well as operating their international trade program. Montana actually maintains offices in Taipei, Taiwan and Kumamoto, Japan.

The Montana Promotional Division is the Tourism Division. It promotes both tourism and film making within the State of Montana and this Division is largely funded through the bed tax.

The Community Development Division works largely at the local level with local governments to insure that infrastructure is available in an adequate fashion for local governments.

The Local Government Services Division is responsible for actually performing audits on local municipalities under state audit requirements. The Building Codes Division is responsible for setting building code standards and administering those. They are largely established outside of municipalities wherever they establish their own local codes.

The Housing Division and the Housing Board are responsible for running housing programs providing affordable housing. In some cases those are loans or facilities and in some instances those programs, such as Section 8, are simply a direct assistance program to needy families to offset their rent.

The Montana State Lottery and Lottery Commission are also attached to the Department and are run through proprietary fund. The Board of Horse Racing is also attached to the Department. They have a very small staff to oversee and regulate the horse racing industry in the State of Montana.

The Consumer Affairs Unit generally oversees the Consumer Protection Laws and specifically within that the Telemarketing Fraud Prevention Act and the Lemon Law, the law to protect consumers in the vehicles they purchase.

The Director's Office and Central Management Component within the Department is responsible for overseeing the overall aspect of managing the Department. Within the total Department budget only 2.7% of the budget is general fund. Largely the Department is run on state special revenue and federal funding, generally through the Department of Housing and Urban Development or through Small Business Administration for those various programs. The state special revenue is almost entirely fees on licenses.

They do have some appropriation authority the Committee has given them where they are able to utilize private money, when they can raise some private money to match that with state money they are spending on doing promotion for tourism within the state.

Rep. Haines spoke to the committee about the funding of the Department and the changes that have been made already.

{Tape : 6; Side : A; Approx. Time Counter : 0.1 - 6.1}

The total funds increased \$87.9 million over the biennium. General fund increased \$909,000. State special revenue increased \$3.8 million over the biennium. Federal special revenue increased \$79 million over the biennium. Changes to the executive budget are, the subcommittee decreased the Department of Commerce funding below the executive budget by approximately \$13.5 million over the biennium. General fund was reduced by approximately \$250,000 over the biennium.

Rep. McCann asked about the \$79 million in federal dollars. **Rep. Haines** said there is \$61 million in Section 8, \$10 million in project based programs, and \$5.6 million in economic development community block development grants. There are some various operating and administrative increases.

Rep. Fisher asked why they have lottery and gambling separated? Why isn't it all together? **Mr. Simonich** said that the Gambling Control Division regulates gambling and the Lottery Commission promotes gambling which creates a conflict.

Rep. Pattison asked if an Agriculture pilot came from another state, would that come under the Professional and Occupational Licensing Division? **Mr. Simonich** said that he did not believe so as that is handled through the Aeronautics Division in the Department of Transportation.

Rep. Jayne asked what was the amount spent for Section 8? **Mr. Simonich** said the Section 8 program's actual budget proposed for FY 2002 was originally \$59 million and the Department reduced that request by \$6 million so the request for Section 8 housing for a single year is approximately \$53 million.

Motion: **REP. BUZZAS** moved that **AMENDMENT HB000205.aty DO PASS. EXHIBIT (aph48a09)**

Discussion: **Rep. Buzzas** explained the amendment and her reasons for submitting it. EXHIBIT (9)

Rep. Haines said he supports the amendment. This money is for these kinds of purposes and can see no reason why it should not be used for people who have disadvantages in life and move them toward the point where they can be more responsible and productive citizens which in the long run should help the tax base.

Rep. Lewis said his understanding is the Governor is opposed to HB 57. **Mr. Simonich** said that is correct. **Governor Martz** and the Department are opposed to HB 57. **Rep. Lewis** said that he has been around long enough to know that when a Department Director comes in and says the Governor is opposed to a particular proposal, that is a fairly strong warning that it will not meet with the Governor's approval if it proceeds forward.

Rep. Buzzas asked if the Governor stated why she is opposed to this small use of federal dollars? **Mr. Simonich** said it is not that there is a lack of support for the revolving fund trust account that was created previously, it's simply that they recognize the incredible value of the Section 8 Program and the benefit it has been to low income families throughout the state. When you take money away from that you begin to weaken that program even though it is for a very worthwhile program.

Rep. Buzzas said the money is not currently being used for rental subsidies, that it is the project money referred to earlier that is getting a \$26 million increase next year. This is a reserve and increases very steadily.

{Tape : 6; Side : A; Approx. Time Counter : 6.1 - 22.9}

Rep. Tropila commented that is why they have three branches of Government; Legislative, Judicial and Executive.

Rep. McCann asked if there are \$26 million in new funds coming into this program? **Mr. Simonich** said there are except for two

new programs. This money that is being targeted here is somewhat different from the money that is specifically being targeted in HB 57. This money is for two new programs that are now going to be evolved from the federal government from HUD, to the state to administer. **Rep. McCann** said in understanding that, this is a program that did exist within the federal government and now is going to be administered by the State of Montana. **Mr. Simonich** said that is his understanding. **Rep, McCann** said then there are people who have been using this \$26 million, so it isn't like it is just a windfall to the State of Montana? **Mr. Simonich** said that is correct.

Rep. Buzzas said to clarify, the money she is proposing is coming from a reserve of \$3.6 million dollars which has been building over the last 5-6 years so it is not coming from the new project money.

Rep. McCann asked where the reserve money came from? **Mr. Simonich** said that the program is a fee-based program so fees generated and the fees that have been accessed over the years, have gone into a reserve account. As the program has grown to provide more assistance to those families, it has been able to utilize the reserve instead of continuing to increase the fees.

Rep. McCann asked how much money is needed in the housing field?

Rep. Buzzas answered \$500 thousand and that the more money available, the more you are able to fund. It is an appropriate use of that money and a creative way to look for money instead of going into General Fund.

Rep. Kasten commented on the amendment. He agrees with the Governor's Office that the reserve is put into place to use for different things on the programs they are administering. He feels it is not there to start a new program.

Rep. Haines explained the amendment further. (Exhibit 9)

Tape : 6; Side : B; Approx. Time Counter : 0.1 - 0.4)

Rep. Buzzas closed on her amendment.

Vote: **Rep. Buzzas** amendment HB000205.aty **FAILED** on a tie vote 9-9 with **Reps. Lewis, Brueggeman, Clark, Davies, Fisher, Kasten, Pattison, Witt** and **Vick** voting no.

Motion/Vote: **REP. HAINES** moved to **CLOSE SECTION C OF HB 2.**

Motion passed 17-1 with Rep. Buzzas voting no.

SECTION A

Rep. Davies opened Section A of HB 2 by saying the legislative budget is significantly different than the executive budget. It is attributed to a request made by the executive subsequent to the submission of **Governor Martz'** budget proposal, approved by the legislature, and involved moving the custom service center from proprietary funding to HB 2 appropriated funding. The legislative budget is a reduction of nearly \$1.6 million for the biennium from the executive budget including nearly \$474,000 lower general fund; state special and federal revenue are \$406,000 and \$325,000 higher and total proprietary funds are just over \$1.8 million lower than the executive budget.

When the legislature accepted the plan proposed by the executive to move the customer service center out of proprietary funding and back to HB 2, as it was during the 1999 biennium, the legislature accepted a plan to mitigate a portion of proposed federal appropriation request associated with the funding change. While the customer service center was funded with proprietary funds it incurred short term debt to pay its operating costs. The supplemental request would liquidate this debt. Legislative acceptance of the mitigation plan accounts for nearly all of the reductions the legislature made to the executive budget.

The HB 2 legislative budget shows an increase of 113.7 FTE. Total budget increases over the base are \$86.4 million for the biennium. That is \$43.1 million or 32.8% over the 2001 biennium. Of the staffing level change, 123.7 FTE are existing staff that was moved from a non-budgeted fund to a budgeted fund. The actual change in department staffing level is a reduction of 10 FTE. Of the budget increase, \$82.8 million is due to the present law adjustment that SB 184 directed the executive to include for reimbursements to local governments for the loss of tax base resulting from actions taken by the 1999 legislature.

Department of Revenue

Kurt Alme, Director, Department of Revenue said this Department collects revenue and enforces regulations for over 30 state taxes and fees. The Department also regulates the sale and distribution of alcoholic beverages in the state. They have an excess of over 500,000 customers and administer over 30 different tax types, determine and maintain values on over 718,000 parcels of real property and annual collections of over \$835 million.

The Department is organized into five core processes. Overall agency direction and management is coordinated through the Director's office.

The first process is the Director's office, that is, management control, policy direction, strategic planning and legal services to assist the tax and liquor programs to fulfill their responsibilities. That also includes the tax policy and research department which is used for revenue estimating purposes and tax policy.

The next process is Information Technology. This unit is responsible for delivery of information services and the planning, coordination and control of information resources for the Department.

The next process is Resource Management which provides human resources, accounting, facility management, communications, training and education functions for the Department. This is also where the liquor distribution unit is located.

The fourth process is the Customer Service Center. It is comprised of three functions; customer intake, document and information processing and accounts receivable and collections.

The final process is Compliance, Valuation and Resolution. This program oversees audits and measures to verify taxpayers are complying with the laws. This unit is also responsible for valuation of properties state-wide.

There is a small internal service fund of 3.5 FTE.

There is no money in their budget, no program in their budget to do any audit function, or follow-up with financial institutions to be sure it is current. They believe with just one auditor they could increase collections by 10% which would be about \$250,000. That auditor salary would then be paid out of the \$250,000 and the remaining amount would go to general fund.

Mr. Alme mentioned a significant concern to them as they enter into a compressed two-year reappraisal cycle and that is the effect of a global motion on travel.

Rep. Buzzas asked about his statement concerning auditing and travel for auditing, with the cuts that were made earlier. It is her understanding that the tax committee is currently looking at the revenue estimates and that one of the basis of the revenue estimate there will be increased audits. Will that hamper the Department's ability? **Mr. Alme** said they believe it will hamper their ability. They just reviewed audit areas that require a significant amount of travel and they are in the corporate license tax, natural resource tax, and property arena, and if

they are unable to go on-sight to complete audits it would have an impact on their ability to collect audit revenue.

Rep. Lindeen asked about the one percent reduction in staff or FTE across the board and how many positions in his department would that effect? **Mr. Alme** said they are already reducing their FTE by another 10 positions over the biennium and the most responsible place for them to look, at this point, would be in the personal property audit arena, so they are potentially looking at not replacing staff or reassigning staff out of the personal property audit arena to achieve that savings.

{Tape : 6; Side : B; Approx. Time Counter : 0.4 - 20.4}

Rep. Lewis said he understood **Director Alme's** concern, but looking at the budget, he referred to personal services and operating expenses of about \$30 million per year, he finds it difficult to believe that they can't find somewhere other than the high return area of corporate audits to make a cut. **Mr. Alme** said that as the Department has gone through a re-engineering effort in the last two to three years, one of the aspects of re-engineering was to eliminate management positions, so a significant number of management administrative positions have been eliminated and one of the goals of the re-engineering effort was to reduce administration so that there was a correlation between administration support with people in the field and that process has already occurred.

Rep. Lewis asked about another area, the Customer Service and Information Processing Center which was developed over the last few years and had been sold to the past legislators as a function that would be self-supporting, now has \$4 million a year in general funding. Again, this is new general fund. It seems their could be a possibility in absorbing some of these reductions in that area rather than cutting back on corporate audits. **Mr. Alme** said after they unwound the Customer Service Center, their intention wasn't to add any additional general fund into their budget. The **Martz** Budget had allocated a certain amount to the department and the CSC Internal Service fund had occurred significant debt over the course of the last two years. What they were asked to do then, was, as they unwound the internal service fund, to mediate the expenses in the internal service fund that were not covered by amounts already appropriated in the **Martz** Budget.

Rep. Lewis referred to page A-79 and his interpretation is there was a net increase in the general fund. **Jeff Miller, Department of Revenue** said they were in an about-even situation. Part of that was anticipated and was built in to what was in the **Martz**

budget and part was un-anticipated and they were asked to re-mediate that.

Rep. Lewis suggested to the Director that his remarks earlier, that cuts made this morning would cause him to cut back on corporate audits and not be able to get the re-appraisals done but there were other options within the budget. He still thinks there is \$4 million added here. **Director Alme** said they certainly wouldn't have corporate audit. They would have personal property audit inside their budget. Cutting back on FTE wasn't the issue with the re-appraisal. That was the travel.

Greg DeWitt said he wrote the statement about the \$4.1 million and then bringing in an \$11 million budget. The Customer Service Center was in a proprietary budget so it was not in HB 2. Their budget, page A-87 is about \$11 million for the biennium. The overall agency budget only increased \$4 million. **Rep. Lewis** said the way he reads the statement on page A-79 is that there was an increase of \$4.1 million and **Mr. Miller** explained that if you projected it out for some years that they wouldn't have to spend more money so is he misinterpreting that?

Mr. DeWitt said, looking at the whole agency budget, without the local reimbursements, their budget grew by 4.9% but at the same time they brought in \$11 million that was not on budget before, it was brought into HB 2 environment.

{Tape : 6; Side : B; Approx. Time Counter : 20.4 - 29.4}

Mr. Miller said yes, the Department did have a \$4.1 million increase over the biennium. Of that amount, 62.15% of it was just attributed present law state-wide adjustments. The balance is related to the few decision packages that did survive. A lot of what is driving the increase in the Department's budget are state-wide adjustments.

Rep. McCann asked **Mr. DeWitt** to explain the \$11.1 million in revenues that came. **Mr. DeWitt** said the revenues for the Customer Service Center prior to the unwinding, about 53% of it was general fund. That was the general fund built in the budgets of all the other programs in the Department. Other revenue sources were federal funds from the UI tax collections, some revenue from the Department of Public Health and Human Services for new employee hire. **Rep. McCann** asked about the responsibilities of the Customer Service Center and is it now on budget in HB 2? **Mr. DeWitt** said they still have the Customer Service Center and it does the same function it did before, for the same people. Right now it is being funded with all funds available; general fund, federal special revenue for the UI tax

it was funded with, also with some liquor proprietary funds and with state special revenue, bed tax.

{Tape : 7; Side : A; Approx. Time Counter : 0.1 - 5.5}

Rep. Fisher asked if they can hire another auditor with the \$2 million balance? **Mr. Alme** said in order to hire somebody, his understanding is that they have to have the spending authority appropriated here in HB 2. **Rep. Fisher** said that is correct, but why couldn't the department ask for an auditor and use the incoming funds? **Mr. Alme** said that is their intent.

Rep. Buzzas asked **Rep. Fisher** what \$2 million dollars he was referring to. **Rep. Fisher** stated it was from a statement that **Mr. Alme** made earlier. **Director Alme** said they collect about \$2.5 to \$2.9 million per year. **Rep. Buzzas** asked if that is legitimate use of that particular fund? **Mr. Miller** said the Unclaimed Property Program is one where a person forgets they have a bank account or a deposit with a business throughout the state. If that business has lost contact with that person, after a certain period, it is presumed abandoned. Rather than the business keep it, that money should be forwarded to the state as a custodial function of the state. His Department deposits that money in the general and make an attempt to locate that presumed abandoned owner, either in a newspaper or on the Internet to try to reunite the owner with their property. On an annual basis, they would bring in approximately \$2.5 to 2.9 million a year. That is not state money. They would return between 30% and 40% of that. The balance remains in the general fund and accrues interest. It is there in perpetuity for that person or their heirs to come forward. **Rep. Buzzas** said, so the money is potentially there to hire an FTE for that specific program, but they don't currently have the spending authority to do that. **Mr. Miller** said that is correct.

Rep. Davies said this was difficult to deal with in the subcommittee. This is the agency that brings in all the revenue to spend.

Motion: REP. BRUEGGEMAN moved amendment HB000207.agd DO PASS.
EXHIBIT (aph48a10)

Discussion: **Rep. Tropila** asked if this money collects interest when it is deposited? **Rep. Brueggeman** said yes. **Rep. Tropila** said when this money is given back to the person it belongs to, does he get the interest or does the state keep the interest? **Mr. Alme** said they do not get interest under laws that exist. **Rep. Tropila** asked if the interest collected now could fund the

FTE? **Rep. Vick** said his understanding of the amendment is they are giving them authority. **Mr. DeWitt** said the striking is the state special line that exists right now in HB 2 that is part of the customer service and it just increases it.

Rep. Buzzas made a point of clarification that this would be just spending authority.

Rep. Lewis asked how much money would they collect? **Rep. Brueggeman** said the estimate was about \$250,000 and \$44,000 of that would fund the FTE. **Rep. Lewis** asked if they could take \$200,000 worth of general fund out of the customer service center and replace it with the revenue they are going to collect with the auditor?

Rep. McCann commented they could also make it a one-time only authority. **Rep. Brueggeman** said that he would amend his motion to make it a one time only authority.

Rep. Pattison asked why they need another FTE. **Mr. Alme** said that in an agency this size, they cannot shift work back and forth and create extra time.

Rep. Lindeen said that for those who didn't sit on the subcommittee it is hard to know just how much stress this department is under.

Rep. Buzzas asked if the department is currently paying overtime to its employees? **Mr. Alme** said yes, as part of their own budgeting process and the issues within internal service fund they have frozen overtime throughout large portions of the agency. **Rep. Buzzas** spoke in favor of the amendment.

Rep. Witt spoke against the amendment stating that this department, as well as other departments, will be here with the same requests and he hopes the committee would resist this amendment.

Rep. McCann spoke for the amendment as he felt they had met the justification for this FTE as well as the changes the department has gone through.

Rep. Vick said this amendment is not in response to anything they did earlier in the day. This amendment was drawn up before that. **Rep. Witt** said he was not aware of that.

Rep. Jayne asked **Rep. Lindeen** if this had been discussed in their subcommittee deliberations concerning the need for this

particular position. **Rep. Lindeen** said it could have been discussed at one time. **Rep. Brueggeman** stated that at the time they had looked at this decision package they didn't really understand that there was potential gain in it and that there could be some definite impact to the general fund.

Rep. Davies spoke in support of the amendment. He feels the Department of Revenue is having a real problem and would like to support them this biennium.

{Tape : 7; Side : A; Approx. Time Counter : 0.1 - 30.9}

Rep. Brueggeman closed on his amendment. (Exhibit 10)

Vote: **Rep. Brueggeman** amendment HB000207.agd with the addition that it just be a one-time-only appropriation **PASSED 13-5 with Reps. Fisher, Kasten, Pattison, Tropila and Witt voting no.**

Rep. Davies spoke to the committee about the point system within the Department of Revenue and explained the problem. Phase I was signed off some time ago and there has been ongoing problems with that. Phase II which was planned to be used for the property tax and both corporate and individual income tax, will not be up in time. They dealt with a supplemental appropriation to get the legacy system back up so it can be used and the amount is \$219,000. In addition to that the supplemental appropriation included \$100,000 for legal fees. The Department and the Contractor Unisys are currently in negotiation.

{Tape : 7; Side : B; Approx. Time Counter : 0.1 - 4.5}

Director Alme also explained the point system to the committee and the problems with it.

Rep. Buzzas asked the Director about the ongoing problem and how much money has been spent on this system and if there will ever be an end to it? **Mr. Miller** said that they have spent with their contract with Unisys approximately \$16.4 million to date and still have under contract an additional \$5.4 million with Unyys. In addition to the Unisys contract they have expenses related with keeping up with that contractor by hiring staff with special expertise to represent their interest, as well. **Mr. Alme** also stated that in the supplemental they requested \$100,000 attorneys fees as a continuing appropriation, contingent only if needed and for the retrofit, \$219,000.

Legislative Branch

Rep. Davies introduced the Legislative Branch portion of HB 2 and told the committee about the work that his subcommittee did on their budget. They went with what they had and denied any new proposals. That reduced the **Martz** budget by \$1,483,303 and that included \$1,423,541 of general fund.

Clayton Schenck said the Legislative Branch comprises the three staff divisions; Legislative Audit, Legislative Fiscal and Legislative Services Division as well as the Interim Committees' function of the legislature, the pay and travel and operation of all the Interim Committees. It also includes the support of all the systems that are provided for the legislature, including the laws system, the chamber systems as well as the systems that they interface with all the Executive Branch Systems and the various systems that are being upgraded so that the audit function can continue.

Rep. Lewis asked about the personal services budget and after dividing it by the number of FTE came to \$52,000 salary benefits per FTE. Is that the average? **Mr. Schenck** said they do have a very professional staff as far as the number of attorneys and research analysts and the requirement for their office is that the staff must have Masters Degrees. So yes, there are a number of staff employees who are in the upper level grades and they do not have a lot of support staff.

Lois Menzies said, looking across the three divisions, they have attorneys, information technologists, analysts and auditors and one other thing that reflects higher salaries is the tenure, at least in the Legislative Services Division which helps support the Legislators well.

Rep. Buzzas asked about the new proposals that were not funded, as an example, the Internet access for Legislative proceedings, and would that be expanding?

Mr. Schenck said that it would be Internet access to the floor.

{Tape : 7; Side : B; Approx. Time Counter : 4.5 - 28.5}

Ms. Menzies responded that this Internet access will not jeopardize the LAWS system and what this will do is allow people throughout the state to both see and hear on their PC's, floor sessions, selective committee hearings and to archive and tape the hearings and have them available in the future.

Rep. Buzzas asked if their staff works overtime? **Ms. Menzies** said yes, particularly during the Legislative session and are

under mandate by their committees to reduce comp time because of those accumulations and the liabilities associated with them.

{Tape : 8; Side : A; Approx. Time Counter : 0.1 - 1.7}

Mr. Schenck said all the audit division consists of CPA's.

Motion: **Rep. Lindeen** moved a conceptual **amendment** to pay dues in CSG West as a total \$167,198 biennial appropriation and include \$99,218 for Legislative participation in the sponsored state government events.

DISCUSSION: **Rep. Kasten** spoke against the amendment.

Rep. Pattison asked for an explanation of CSG. **Rep. Lindeen** said the Council State Governments is an organization made up of Legislators throughout the western states who deal with a lot of the same issues and is extremely valuable. **Rep. Pattison** asked if this is something that would provide membership for all the Legislators? **Rep. Lindeen** said currently in their base budget, they pay 50% of their dues to the CSG and that they have not been paying their full amount. She wants to pay 100% of their dues and include money to reimburse Legislators for travel to some of the meetings. **Rep. Pattison** asked if there are other organizations at these meetings because he would like to eliminate it all together.

Rep. Davies recalled that the Representative from CSG West was at the hearing and they have some level of participation now. They are not wiping out the whole affiliation with them by not paying all of the dues. **Rep. Lindeen** said that was correct.

Rep. Buzzas spoke in favor of the amendment and found the newsletters very valuable as they keep Legislators informed.

Rep. Vick said it wasn't until 1997 or 1999 that they were paying any dues at all, because there was a time when they were not paying any dues and did they start paying last session or the one before?

Rep. Peterson spoke to the committee about the magazine that CSG mails out and commented that he feels it is not worth the money as there is a lot of information available in professional journals, Internet and libraries.

Rep. Lewis spoke against the amendment.

Rep. Vick spoke to the committee about the reductions made and that in a time of tight budgets this was a service they could do without, for this session anyway.

Rep. Lindeen withdrew her amendment.

Motion: REP. VICK moved that **HB 2 BE AMENDED. EXHIBIT(aph48a11)**

DISCUSSION: Taryn Purdy explained the technical amendment to the committee. **EXHIBIT(aph48a11)**

Rep. McCann asked if they are removing some of the vacancy savings from the Legislative Branch with this amendment? **Ms. Purdy** said that it is reducing the amount of vacancy savings that was taken so that no vacancy savings will be taken away from the per diem to the Legislators for the meetings.

Vote: Technical amendment (Exhibit 11) PASSED Unanimously 18-0.

Chairman Vick announced the Committee will take up the remainder of Section A Monday morning.

Rep. Kasten asked to thank **Mr. Schenck and his Staff** for the excellent work they have provided.

{Tape : 8; Side : A; Approx. Time Counter : 0.1 - 20.8}

ADJOURNMENT

Adjournment: 7:30 P.M.

REP. STEVE VICK, Chairman

MARY LOU SCHMITZ, Transcriber

SV/PB/MLS

EXHIBIT (aph48aad)